

**WALTON-VERONA INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

- WITH INDEPENDENT AUDITORS' REPORT -

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
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Independent Auditors' Report

Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton-Verona Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

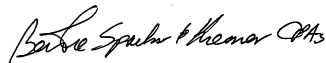
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton-Verona Independent School District, as of June 30, 2012, and the respective changes in financial position, respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2012, on our consideration of the Walton-Verona Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 7, and the Budgetary Comparison Information, on page 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Walton-Verona Independent School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bertke, Sparks & Kremer, Inc.
September 7, 2012

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

As management of the Walton-Verona School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$5,659,995
- The General Fund had \$12,803,790, excluding interfund transfers, in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$11,901,601 in General Fund expenditures.

CURRENT ISSUES

Walton – Verona Independent Schools continue to perform as one of the top districts in the state. Our primary objectives continue to be to create students who grow and achieve academically, are college and career ready when they graduate, are involved in their community, and to provide the best return possible on the community's investment in education.

The rate of student growth has slowed and many of the building upgrades and additions on the District Facilities Plan have been completed. We are currently in the process of forming a new Local Planning Committee to develop a plan that will guide facilities development for the next four years.

While not unique to our District, our primary financial concern continues to be state funding. Local property values continue to be stagnant and new property growth has slowed drastically in the current economy, which increases the negative effect of state SEEK funding issues. Over the past several years we have seen a decrease in per-pupil funding from the state when the mid-year budget cuts are taken into consideration. This comes at a time when expenses on everything from supplies to utilities to personnel and retirement expenses are on the rise and when many state grants have been drastically cut or eliminated.

To combat the impact of these issues, the Walton - Verona Independent School District will maintain fiscally responsible policies in order to providing quality academic, extra-curricular and community service programs to all of its students.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

**WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 33 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,664,385 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

Net Assets for the periods ending June 30, 2012 and 2011

The following table presents a summary of net assets for the fiscal years ended June 30, 2012 and 2011.

	2012	2011
Current assets	\$ 6,206,027	\$ 6,546,166
Noncurrent assets	<u>28,280,584</u>	<u>27,830,513</u>
Total assets	<u>\$ 34,486,611</u>	<u>\$ 34,376,679</u>
Current liabilities	\$ 1,523,269	\$ 1,713,174
Noncurrent liabilities	<u>17,298,957</u>	<u>18,171,679</u>
Total liabilities	<u>\$ 18,822,226</u>	<u>\$ 19,884,853</u>
Net assets		
Investment in capital assets (net of debt)	\$ 10,230,816	\$ 8,951,333
Restricted	3,823,423	4,784,345
Committed	69,324	69,324
Assigned	60,048	86,051
Unassigned	<u>1,471,774</u>	<u>599,394</u>
Total net assets	<u>\$ 15,664,385</u>	<u>\$ 14,490,447</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2012, net of inter-fund transfers, were \$12,803,790.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3,430,700 more than budget or approximately 36.3%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$11,901,601, net of interfund transfers and debt service.
- General Fund actual expenditures exceeded budget expenditures by \$1,622,578 in instruction. This is a result of the District recording "on behalf" payments made by the State.

**WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

	2012	2011
Revenues:		
Program Revenues:		
Charges for services	\$ 437,509	\$ 462,015
Operating grants and contributions	1,512,908	1,724,356
Capital grants and contributions	<u>655,368</u>	<u>657,606</u>
Total program revenues	<u>2,605,785</u>	<u>2,843,977</u>
General Revenues:		
Property taxes	4,855,270	4,798,658
Other taxes	762,413	867,602
Grants and entitlements	7,837,984	7,302,920
Earnings on investments	22,134	19,504
Miscellaneous	<u>273,680</u>	<u>242,677</u>
Total general revenues	<u>13,751,481</u>	<u>13,231,361</u>
Total revenues	<u>16,357,266</u>	<u>16,075,338</u>
Expenses:		
Instruction	8,115,129	8,008,490
Student support services	662,000	638,044
Instructional support	741,858	724,491
District administration	764,061	873,375
School administration	784,568	753,573
Business support	183,851	175,506
Plant operations	1,565,854	1,608,183
Student transportation	914,344	821,334
Other	28,001	25,967
Facilities acquisition & construction	-	(107,029)
Community support	-	-
Debt service	594,286	594,976
Food service	<u>829,376</u>	<u>728,729</u>
Total expenses	<u>15,183,328</u>	<u>14,845,639</u>
Excess of revenues over expenses	<u>\$ 1,173,938</u>	<u>\$ 1,229,699</u>

General Fund Revenue

The majority of general revenue was derived from State SEEK Funds (41.2%) with local funding making up 37.6% of total revenue.

**WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$361,975 in contingency (3.3%). The beginning cash balance for the fiscal year is \$5,659,995.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Robert Storer, Superintendent or to Mr. Kevin Ryan, Director of Financial Services at (859) 485-4181 or by mail at 16 School Road, Walton, Kentucky 41094.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - DISTRICT WIDE
AS OF JUNE 30, 2012

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CURRENT			
Cash and cash equivalents	\$ 4,997,420	\$ 163,165	\$ 5,160,585
Accounts receivable	1,015,339	-	1,015,339
Inventory	-	30,103	30,103
Total current	6,012,759	193,268	6,206,027
NONCURRENT			
Bond origination costs - net	387,277	-	387,277
Land	1,076,853	-	1,076,853
Construction in progress	1,770,947	-	1,770,947
Land improvements	1,013,612	-	1,013,612
Buildings and improvements	29,806,412	-	29,806,412
Technology equipment	2,036,253	-	2,036,253
Vehicles	1,518,034	-	1,518,034
General equipment	327,472	522,729	850,201
Less: accumulated depreciation	(9,807,772)	(371,233)	(10,179,005)
Total noncurrent	28,129,088	151,496	28,280,584
Total assets	\$ 34,141,847	\$ 344,764	\$ 34,486,611
LIABILITIES			
CURRENT			
Accrued interest	\$ 190,204	\$ -	\$ 190,204
Current portion of bonds payable	931,198	-	931,198
Current portion of capital lease	54,943	-	54,943
Current portion of accrued sick leave	26,148	-	26,148
Accounts payable	204,235	1,280	205,515
Accrued payroll and related liabilities	49,489	-	49,489
Deferred revenue	65,772	-	65,772
Total current	1,521,989	1,280	1,523,269
NONCURRENT			
Accrued sick leave	235,330	-	235,330
Capital lease obligation	75,271	-	75,271
Long term bonds payable	16,988,356	-	16,988,356
Total noncurrent	17,298,957	-	17,298,957
Total liabilities	18,820,946	1,280	18,822,226
NET ASSETS			
Invested in capital assets, net of related debt	10,079,320	151,496	10,230,816
Restricted for:			
Capital projects	3,640,435	-	3,640,435
Net assets	-	191,988	191,988
Committed			
Sick leave	69,324	-	69,324
Assigned			
Purchase obligations	60,048	-	60,048
Unassigned	1,471,774	-	1,471,774
Total net assets	15,320,901	343,484	15,664,385
Total liabilities and net assets	\$ 34,141,847	\$ 344,764	\$ 34,486,611

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - DISTRICT WIDE
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities							
Instruction	\$ 8,115,129	\$ 45,155	\$ 932,963	\$ -	\$ (7,137,011)	\$ -	\$ (7,137,011)
Support services:							
Student	662,000	-	-	-	(662,000)	-	(662,000)
Instruction staff	741,858	-	-	-	(741,858)	-	(741,858)
District administration	764,061	-	94,293	-	(669,768)	-	(669,768)
School administration	784,568	-	64,539	-	(720,029)	-	(720,029)
Business	183,851	-	-	-	(183,851)	-	(183,851)
Plant operation and maintenance	1,565,854	-	-	-	(1,565,854)	-	(1,565,854)
Student transportation	914,344	-	29,051	-	(885,293)	-	(885,293)
Central office	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	655,368	655,368	-	655,368
Community service activities	-	-	-	-	-	-	-
Other	28,001	-	-	-	(28,001)	-	(28,001)
Interest on long-term debt	594,286	-	-	-	(594,286)	-	(594,286)
Total governmental activities	14,353,952	45,155	1,120,846	655,368	(12,532,583)	-	(12,532,583)
Business-type Activities							
Food service	829,376	392,354	392,062	-	-	(44,960)	(44,960)
Total business-type activities	829,376	392,354	392,062	-	-	(44,960)	(44,960)
Total school district	<u>\$ 15,183,328</u>	<u>\$ 437,509</u>	<u>\$ 1,512,908</u>	<u>\$ 655,368</u>	<u>\$ (12,532,583)</u>	<u>\$ (44,960)</u>	<u>\$ (12,577,543)</u>
General Revenues							
Property taxes					\$ 4,855,270	\$ -	\$ 4,855,270
Motor vehicle taxes					368,180	-	368,180
Utility taxes					346,675	-	346,675
Other taxes					47,558	-	47,558
Revenue in lieu of taxes					37,090	-	37,090
Investment earnings					20,496	1,638	22,134
Loss on bond refunding					(108,125)	-	(108,125)
State and federal aid formula grants					7,837,984	-	7,837,984
Gain on sale of fixed assets					-	-	-
Bond principal paid by KSFCC					152,907	-	152,907
Miscellaneous					189,931	1,877	191,808
Total general revenues					13,747,966	3,515	13,751,481
Change in net assets					1,215,383	(41,445)	1,173,938
Net assets - beginning					14,105,518	384,929	14,490,447
Net assets - ending					<u>\$ 15,320,901</u>	<u>\$ 343,484</u>	<u>\$ 15,664,385</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUND</u>	<u>BUILDING FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS						
CURRENT						
Cash and cash equivalents (overdraft)	\$ 1,956,134	\$ (728,718)	\$ 350,675	\$ 3,419,329	\$ -	\$ 4,997,420
Other receivables	212,761	802,578	-	-	-	1,015,339
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,168,895</u>	<u>\$ 73,860</u>	<u>\$ 350,675</u>	<u>\$ 3,419,329</u>	<u>\$ -</u>	<u>\$ 6,012,759</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 72,460	\$ 8,088	\$ 123,687	\$ -	\$ -	\$ 204,235
Accrued payroll and related liabilities	49,489	-	-	-	-	49,489
Deferred revenue	-	65,772	-	-	-	65,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>121,949</u>	<u>73,860</u>	<u>123,687</u>	<u>-</u>	<u>-</u>	<u>319,496</u>
FUND BALANCES						
Restricted						
Capital projects	-	-	221,106	3,419,329	-	3,640,435
Committed						
Sick Leave	69,324	-	-	-	-	69,324
Capital projects	-	-	-	-	-	-
Assigned	54,166	-	5,882	-	-	60,048
Unassigned	1,923,456	-	-	-	-	1,923,456
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,046,946</u>	<u>-</u>	<u>226,988</u>	<u>3,419,329</u>	<u>-</u>	<u>5,693,263</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,168,895</u>	<u>\$ 73,860</u>	<u>\$ 350,675</u>	<u>\$ 3,419,329</u>	<u>\$ -</u>	<u>\$ 6,012,759</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

Total fund balance per fund financial statements		\$ 5,693,263
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Amounts reported for governmental activities in the statement of net assets are different because:

Unamortized bond issuance costs		387,277
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Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.

Cost of capital assets	37,549,583		
Accumulated depreciation	(9,807,772)		
			27,741,811

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.

Bonds payable	(17,919,554)		
Capital lease obligation	(130,214)		
Accrued interest on bonds	(190,204)		
Accrued sick leave	(261,478)		
			(18,501,450)

Net assets for governmental activities		\$ 15,320,901
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(See Auditors' Report and Accompanying Notes to the Financial Statements)

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
From local sources						
Property taxes	\$ 3,940,721	\$ -	\$ -	\$ 914,549	\$ -	\$ 4,855,270
Motor vehicle taxes	368,180	-	-	-	-	368,180
Utility taxes	346,675	-	-	-	-	346,675
Other taxes	47,558	-	-	-	-	47,558
Tuition and fees	95,147	-	-	-	-	95,147
Earnings on investments	20,496	-	-	-	-	20,496
Other local revenues	109,939	-	-	-	-	109,939
State sources						
SEEK	5,735,848	-	-	510,774	144,594	6,391,216
Other	2,102,136	305,814	-	-	-	2,407,950
Intermediate sources	-	-	-	-	-	-
Federal - direct	-	-	-	-	-	-
Federal - indirect	-	815,032	-	-	-	815,032
Revenue in lieu of taxes	37,090	-	-	-	-	37,090
Other revenues	-	-	30,000	-	-	30,000
Total revenues	12,803,790	1,120,846	30,000	1,425,323	144,594	15,524,553
EXPENDITURES						
Instruction	7,024,129	978,071	-	-	-	8,002,200
Support services						
Student	576,657	-	-	-	-	576,657
Instruction staff	740,485	-	-	-	-	740,485
District administration	663,421	94,293	-	-	-	757,714
School administration	715,298	64,539	-	-	-	779,837
Business	183,851	-	-	-	-	183,851
Plant operation and maintenance	1,094,146	-	-	-	-	1,094,146
Student transportation	903,614	29,051	-	-	-	932,665
Central office	-	-	-	-	-	-
Food service operation	-	-	-	-	-	-
Facilities acquisition and construction	-	-	1,196,442	-	-	1,196,442
Community service activities	-	-	-	-	-	-
Debt service	-	-	-	1,205,502	144,594	1,350,096
Total expenditures	11,901,601	1,165,954	1,196,442	1,205,502	144,594	15,614,093
Excess (deficit) of revenues over expenditures	902,189	(45,108)	(1,166,442)	219,821	-	(89,540)
OTHER FINANCING SOURCES (USES)						
Proceeds from bond sale and capital leases	-	-	-	-	-	-
Operating transfers in	-	45,108	404,035	-	-	449,143
Operating transfers out	(45,108)	-	-	(404,035)	-	(449,143)
Total other financing sources (uses)	(45,108)	45,108	404,035	(404,035)	-	-
Net change in fund balances	857,081	-	(762,407)	(184,214)	-	(89,540)
Fund balance, July 1, 2011	1,189,865	-	989,395	3,603,543	-	5,782,803
Fund balance, June 30, 2012	\$ 2,046,946	\$ -	\$ 226,988	\$ 3,419,329	\$ -	\$ 5,693,263

(See Auditors' Report and Accompanying Notes to the Financial Statements)

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in total fund balances per fund financial statements	\$ (89,540)
Amounts reported for governmental activities in the statement of activities are different because:	
Loss on refunding bonds	(108,125)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlays and retirements.	
Depreciation expense	(849,187)
Retirement of capital assets	-
Construction in progress	1,196,442
Capital outlays	<u>135,670</u>
	482,925
Net bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	
Principal paid	<u>954,412</u>
	954,412
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(24,289)</u>
Change in net assets of governmental activities	<u><u>\$ 1,215,383</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
From local sources				
Property taxes	\$ 3,755,000	\$ 3,755,000	\$ 3,940,721	\$ 185,721
Motor vehicle taxes	300,000	300,000	368,180	68,180
Utility taxes	280,000	280,000	346,675	66,675
Other taxes	25,000	25,000	47,558	22,558
Tuition and fees	94,000	94,000	95,147	1,147
Earnings on investments	15,000	15,000	20,496	5,496
Other local revenue	22,000	22,000	109,939	87,939
State sources				
SEEK	5,441,642	5,441,642	5,735,848	294,206
Other	18,000	18,000	2,102,136	2,084,136
Federal - direct	-	-	-	-
Federal - indirect	-	-	-	-
Revenue in lieu of taxes	37,090	37,090	37,090	-
Other revenues	-	-	-	-
Total revenues	<u>9,987,732</u>	<u>9,987,732</u>	<u>12,803,790</u>	<u>2,816,058</u>
EXPENDITURES				
Instruction	6,046,859	6,046,859	7,024,129	(977,270)
Support services				
Student	506,566	506,566	576,657	(70,091)
Instruction staff	597,383	597,383	740,485	(143,102)
District administration	647,436	647,436	663,421	(15,985)
School administration	616,927	616,927	715,298	(98,371)
Business	165,033	165,033	183,851	(18,818)
Plant operation and maintenance	1,328,154	1,328,154	1,094,146	234,008
Student transportation	817,399	817,399	903,614	(86,215)
Central office	-	-	-	-
Contingency	361,975	361,975	-	361,975
Community services	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>11,087,732</u>	<u>11,087,732</u>	<u>11,901,601</u>	<u>(813,869)</u>
Excess (deficit) of revenues over expenditures	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>902,189</u>	<u>2,002,189</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds and capital leases	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(45,108)	(45,108)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(45,108)</u>	<u>(45,108)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>857,081</u>	<u>1,957,081</u>
Fund balance, July 1, 2011	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,189,865</u>	<u>89,865</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,046,946</u>	<u>\$ 2,046,946</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
AS OF JUNE 30, 2012**

ASSETS	FOOD SERVICE FUND	TOTAL
CURRENT		
Cash and cash equivalents	\$ 163,165	\$ 163,165
Inventory	30,103	30,103
Total current	<u>193,268</u>	<u>193,268</u>
NONCURRENT		
General equipment	375,748	375,748
Buildings and improvements	146,981	146,981
Less: accumulated depreciation	<u>(371,233)</u>	<u>(371,233)</u>
Total noncurrent	<u>151,496</u>	<u>151,496</u>
Total assets	<u><u>\$ 344,764</u></u>	<u><u>\$ 344,764</u></u>
LIABILITIES		
CURRENT		
Accounts payable	<u>\$ 1,280</u>	<u>\$ 1,280</u>
Total current	<u>1,280</u>	<u>1,280</u>
Total liabilities	<u>1,280</u>	<u>1,280</u>
NET ASSETS		
Invested in capital assets, net of related debt	151,496	151,496
Restricted - net assets	<u>191,988</u>	<u>191,988</u>
Total net assets	<u>343,484</u>	<u>343,484</u>
Total liabilities and net assets	<u><u>\$ 344,764</u></u>	<u><u>\$ 344,764</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	FOOD SERVICE FUND	TOTAL
OPERATING REVENUES		
Food service sales	\$ 392,354	\$ 392,354
Other operating revenues	1,877	1,877
	<hr/>	<hr/>
Total operating revenues	394,231	394,231
	<hr/>	<hr/>
OPERATING EXPENSES		
Salaries and wages	389,415	389,415
Professional and contract services	18,599	18,599
Supplies and materials	393,742	393,742
Depreciation	21,728	21,728
Other operating expenses	5,892	5,892
	<hr/>	<hr/>
Total operating expenses	829,376	829,376
	<hr/>	<hr/>
Operating loss	(435,145)	(435,145)
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)		
Federal grants	295,600	295,600
State grants	49,215	49,215
Interest income	1,638	1,638
Donated commodities and other donations	47,247	47,247
Loss on fixed assets	-	-
Transfer of funds	-	-
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	393,700	393,700
	<hr/>	<hr/>
Net loss	(41,445)	(41,445)
	<hr/>	<hr/>
Total net assets, July 1, 2011	384,929	384,929
	<hr/>	<hr/>
Total net assets, June 30, 2012	\$ 343,484	\$ 343,484
	<hr/> <hr/>	<hr/> <hr/>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from lunchroom sales	\$ 392,354	\$ 392,354
Cash received from other activities	1,877	1,877
Cash payments to employees for services	(389,415)	(389,415)
Cash payments to suppliers for goods and services	(420,428)	(420,428)
Cash payments for other operating activities	(5,892)	(5,892)
	<u>(421,504)</u>	<u>(421,504)</u>
Net cash used in operating activities		
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal payments on capital leases	-	-
Acquisition of capital assets	-	-
	<u>-</u>	<u>-</u>
Net cash used in capital financing activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-operating grants received	392,062	392,062
	<u>392,062</u>	<u>392,062</u>
Net cash provided by noncapital financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer of funds	-	-
Interest on investments	1,638	1,638
	<u>1,638</u>	<u>1,638</u>
Net cash provided by investing activities		
Net decrease in cash and cash equivalents	(27,804)	(27,804)
Cash and cash equivalents - beginning	190,969	190,969
Cash and cash equivalents - ending	<u>\$ 163,165</u>	<u>\$ 163,165</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (435,145)	\$ (435,145)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH (USED) IN OPERATING ACTIVITIES		
Depreciation	21,728	21,728
Changes in assets and liabilities:		
(Increase) in inventory	(7,988)	(7,988)
(Decrease) in accounts payable	(99)	(99)
	<u>(421,504)</u>	<u>(421,504)</u>
Net cash used in operating activities		
SCHEDULE OF NON-CASH TRANSACTIONS		
Donated commodities received from federal government	<u>\$ 47,247</u>	<u>\$ 47,247</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Walton-Verona Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Walton-Verona School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Walton-Verona Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Walton-Verona School District Finance Corporation - The Walton-Verona Board of Education authorized the establishment of the Walton-Verona School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Walton-Verona Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 41. This is a major fund of the District.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
 3. The Construction fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

IV. Fiduciary Fund Type (agency and trust funds)

The Trust/Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (cont'd)

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the District-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the District-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments.

The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance Reserves

Beginning with fiscal year 2012, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit cash and cash equivalents totaling \$5,985,816. Of the total cash balance, \$750,000 was covered by the Federal Deposit Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2012 consist of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank of Kentucky	\$ 5,733,434	\$ 5,569,174
Heritage Bank	42,060	42,060
Farmers National Bank	<u>10,322</u>	<u>10,322</u>
Total	<u>\$ 5,985,816</u>	<u>\$ 5,621,556</u>

Allocation per financial statements:

Governmental funds	\$ 4,997,420
Proprietary funds	163,165
Activity funds	<u>460,971</u>
	<u>\$ 5,621,556</u>

NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012, this amount totaled approximately \$261,478 for those employees with twenty-seven or more years of experience. The Board has reserved \$69,324 of its General Fund for unpaid sick leave benefits.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Land	\$ 1,076,853	\$ -	\$ -	\$ 1,076,853
Construction in progress	574,505	1,196,442	-	1,770,947
Land improvements	1,013,612	-	-	1,013,612
Buildings and improvements	29,806,412	-	-	29,806,412
Technology equipment	1,992,827	43,426	-	2,036,253
Vehicles	1,425,790	92,244	-	1,518,034
General equipment	327,472	-	-	327,472
Totals at historical cost	36,217,471	1,332,112	-	37,549,583
Less: accumulated depreciation				
Land improvements	339,201	49,583	-	388,784
Buildings and improvements	5,424,957	646,637	-	6,071,594
Technology equipment	1,889,219	65,752	-	1,954,971
Vehicles	1,127,474	68,907	-	1,196,381
General equipment	177,734	18,308	-	196,042
Total accumulated depreciation	8,958,585	849,187	-	9,807,772
Governmental activities capital assets - net	<u>\$ 27,258,886</u>	<u>\$ 482,925</u>	<u>\$ -</u>	<u>\$ 27,741,811</u>
<u>Business - Type Activities</u>				
General equipment	\$ 375,748	\$ -	\$ -	\$ 375,748
Buildings and improvements	146,981	-	-	146,981
Totals at historical cost	522,729	-	-	522,729
Less: accumulated depreciation				
General equipment	94,270	3,509	-	97,779
Buildings and improvements	255,235	18,219	-	273,454
Total accumulated depreciation	349,505	21,728	-	371,233
Business - type activities capital assets - net	<u>\$ 173,224</u>	<u>\$ (21,728)</u>	<u>\$ -</u>	<u>\$ 151,496</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE F – COMMITMENTS UNDER CAPITAL LEASES

The District is the lessee of equipment under capital leases expiring in 2014 and 2015. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2012, for each of the next five years and in the aggregate are as follows:

2013	\$ 61,535
2014	61,535
2015	17,160
2016	-
Thereafter	-
	<hr/>
Total minimum rentals	140,230
Less: amount representing interest	<u>(10,016)</u>
Present value of net minimum lease payments	<u><u>\$ 130,214</u></u>

NOTE G - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
December 2002	\$ 1,130,000	1.500% - 3.900%
June 2004	\$ 1,295,000	2.700% - 5.000%
August 2006	\$ 10,825,000	3.500% - 4.250%
May 2007	\$ 2,280,000	3.600% - 4.000%
May 2008	\$ 890,000	3.150% - 3.150%
November 2009	\$ 2,700,000	2.000% - 4.000%
October 2010	\$ 800,000	1.500% - 3.100%
March 2011	\$ 1,610,000	2.000% - 4.250%
March 2012	\$ 985,000	1.500% - 2.350%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE G - LEASE OBLIGATIONS AND BONDED DEBT (CONT'D)

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table in Note P sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as reported on Note P on page 33.

Defeased Bonds

As of June 30, 2012, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements was approximately \$860,000.

NOTE H - RETIREMENT PLANS

Kentucky Teachers Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer retirement system created by and maintained by Kentucky legislature. KTRS provides retirement, death and disability benefits to Plan members.

Plan members are required to contribute 10.355% of their annual creditable compensation. Members hired on or after July 1, 2008 pay an additional .5% of their salary to the medical insurance fund. Matching contributions are made by the state in the form of on behalf payments. The district is required to remit matching contributions on those school district employees whose salaries are paid by federally programs. This federal matching rate is 13.605% for employees hired before July 1, 2008 and 14.105% for employees hired after July 1, 2008. The contribution requirement for KTRS for the year ended June 30, 2012 was \$702,204, which consisted of \$38,260 from the District and \$663,944 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$646,579 and \$617,684, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE H - RETIREMENT PLANS (CONT'D)

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2012, was \$450,877, which consisted of \$354,669 from the District and \$96,207 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$377,702 and \$359,757, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

The District's total payroll for the year was \$8,328,276. The payroll for employees covered under KTRS was \$6,334,890 and for CERS was \$1,870,439.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY.

NOTE I - CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE J - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE K - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 762,407
Building Fund	\$ 184,214
Food Service	\$ 41,445

NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 45,108
320	360	Construction	\$ 404,035

NOTE O - ON-BEHALF PAYMENTS

For the year ended June 30, 2012, total payments of \$2,125,954 were made for life insurance, health insurance, KTRS matching, administrative fees, technology and vocational education by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and are recorded as revenues and expenses in the following funds:

General Fund	\$ 2,082,383
Food Service Fund	<u>43,571</u>
Total On-Behalf Payments	<u>\$ 2,125,954</u>

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE P- MATURITY OF GENERAL LONG-TERM OBLIGATIONS

2002C, 2004, 2006, 2007, 2008R, 2009, 2010R, 2011, and 2012R SERIES

FISCAL YEAR	WALTON - VERONA SCHOOL DISTRICT		KY SCHOOL FACILITIES CONSTRUCTION COMMISSION		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2012-2013	\$ 771,016	\$ 575,322	\$ 160,182	\$ 82,246	\$ 1,588,766
2013-2014	798,901	546,236	151,157	77,148	1,573,442
2014-2015	833,996	519,114	152,080	72,157	1,577,347
2015-2016	854,107	491,393	160,893	67,282	1,573,675
2016-2017	890,188	462,286	164,812	62,202	1,579,488
2017-2018	915,967	431,423	164,033	56,976	1,568,399
2018-2019	955,902	399,548	154,098	51,821	1,561,369
2019-2020	991,273	365,120	120,949	47,191	1,524,533
2020-2021	1,022,047	329,015	127,953	42,869	1,521,884
2021-2022	1,062,614	290,934	132,386	38,334	1,524,268
2022-2023	1,107,634	247,587	137,366	33,262	1,525,849
2023-2024	1,147,478	202,857	142,522	28,011	1,520,868
2024-2025	1,207,662	153,970	132,338	22,397	1,516,367
2025-2026	1,012,657	107,044	137,343	16,937	1,273,981
2026-2027	1,059,035	63,750	120,965	11,595	1,255,345
2027-2028	264,077	34,479	50,923	8,096	357,575
2028-2029	272,143	23,809	52,857	6,004	354,813
2029-2030	287,699	12,554	52,301	4,483	357,037
2030-2031	105,728	4,493	44,272	1,882	156,375
	<u>\$ 15,560,124</u>	<u>\$ 5,260,934</u>	<u>\$ 2,359,430</u>	<u>\$ 730,893</u>	<u>\$ 23,911,381</u>

NOTE Q - SUBSEQUENT EVENTS

Subsequent events were considered through November 15, 2012, which represents the release date of this report.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	CAPITAL OUTLAY FUND	TOTAL NONMAJOR GOVT. FUNDS
ASSETS		
CURRENT		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	-	-
	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ -
	<hr/>	<hr/>
Total liabilities	-	-
	<hr/>	<hr/>
FUND BALANCES		
Restricted		
Capital projects	-	-
Unassigned	-	-
	<hr/>	<hr/>
Total fund balances	-	-
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	CAPITAL OUTLAY FUND	TOTAL NONMAJOR GOVT. FUNDS
REVENUES		
From local sources		
Property taxes	\$ -	\$ -
Motor vehicle taxes	-	-
Other taxes	-	-
Earnings on investments	-	-
State sources		
SEEK	144,607	144,607
Other	-	-
	<hr/>	<hr/>
Total revenues	144,607	144,607
	<hr/>	<hr/>
EXPENDITURES		
Support services		
Instruction staff	-	-
Plant operation and maintenance	-	-
Facilities acquisition and construction	-	-
Debt service	144,607	144,607
	<hr/>	<hr/>
Total expenditures	144,607	144,607
	<hr/>	<hr/>
Excess of revenues over expenditures	-	-
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)	-	-
	<hr/>	<hr/>
Total other financing sources (uses)	-	-
	<hr/>	<hr/>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	-	-
	<hr/>	<hr/>
Net change in fund balances	-	-
	<hr/>	<hr/>
Fund balance, July 1, 2011	-	-
	<hr/>	<hr/>
Fund balance, June 30, 2012	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	ISSUE OF 2002A	ISSUE OF 2002C	ISSUE OF 2004	ISSUE OF 2006	ISSUE OF 2007	ISSUE OF 2008R	ISSUE OF 2009	ISSUE OF 2010R	ISSUE OF 2011	ISSUE OF 2012R	Total
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:											
Transfers and miscellaneous deposits	5,225	181,161	58,662	605,459	166,225	37,644	189,846	30,642	63,175	12,057	1,350,096
Disbursements:											
Bonds paid	5,000	167,495	35,936	258,246	90,000	28,602	108,608	10,000	33,338	12,686	749,911
Interest coupons	225	13,666	22,726	347,213	76,225	9,042	81,238	20,642	29,837	(629)	600,185
Transfers and miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	5,225	181,161	58,662	605,459	166,225	37,644	189,846	30,642	63,175	12,057	1,350,096
Excess of disbursements over receipts	-	-	-	-	-	-	-	-	-	-	-
Cash at June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable and Payable:											
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-	-	-
Fund balance at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditor's Report and Accompanying Notes to the Financial Statements)

WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WALTON-VERONA HIGH SCHOOL AND MIDDLE SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	FUND BALANCE JULY 1, 2011	RECEIPTS	DISBURSEMENTS	FUND BALANCE June 30, 2012
11-12 Fees	\$ -	\$ 29,442	\$ 27,338	\$ 2,104
2011-2012 HS Fees	10,200	44,904	41,499	13,605
5th Grade Classes	338	2,830	2,393	775
7th Grade Classes	117	-	-	117
8th Consumerism	1,695	305	-	2,000
8th Drama	1,118	327	-	1,445
8th Grade Band	250	-	-	250
8th Grade Classes	200	-	-	200
Agriculture	390	1,750	2,058	82
Altheic Boosters	17,558	45,831	53,894	9,495
AP Classes	190	2,175	2,104	261
APEX	19	-	-	19
Art Club	331	60	182	209
Art Fund	441	1,978	1,661	758
Athletic Trainer	789	-	719	70
Athletics	30,796	142,448	133,672	39,572
Band	1,252	7,075	7,507	820
Band Trip	410	6,501	6,360	551
Baseball	8,486	20,828	17,358	11,956
Basketball	2,730	26,330	25,505	3,555
Best Seat in the House	354	-	-	354
Beta Club	375	1,420	555	1,240
Bowling Club	1	-	-	1
Boys Soccer	2,615	4,700	4,386	2,929
Business Fund	774	329	308	795
Cappie Stephenson	4,163	-	600	3,563
Cashbox	-	2,750	2,750	-
Choral Music	222	6,135	5,770	587
Club Scholarship	5	125	125	5
Concession Fund	2,093	5,957	6,731	1,319
Cross Country	1,566	8,055	6,670	2,951
Drama	4,372	6,154	8,176	2,350
Emergency Assistance	718	-	-	718
English	10	42	-	52
Environmental Club	823	-	-	823
Evan Ryan Memorial Fund	1,343	-	1,000	343
Evan Ryan Scholarship	41,670	-	629	41,041
Exercise Equipment	649	-	-	649
Family & Con Science	278	2,785	2,846	217
FBLA	452	6,752	6,586	618
FCA	187	500	584	103
FCCLA	196	12,343	12,326	213
FFA	7,176	16,004	14,305	8,875
Football	2,941	24,586	19,333	8,194
G.L.O.W.	4	65	66	3

(See Auditors' Report and Accompanying Notes to the Financial Statements)

WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WALTON-VERONA HIGH SCHOOL AND MIDDLE SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	FUND BALANCE JULY 1, 2011	RECEIPTS	DISBURSEMENTS	FUND BALANCE June 30, 2012
General Fund	\$ 6,273	\$ 8,749	\$ 4,727	\$ 10,295
General Music	94	104	-	198
Girls Basketball	3,127	18,669	18,785	3,011
Girls Golf	639	200	270	569
Girls Soccer	1,426	2,676	3,523	579
Giving Tree	2,556	930	1,423	2,063
Golf	520	1,320	1,772	68
GSSP	873	600	829	644
Guidance Fund	59	3,357	3,309	107
Health	354	39	111	282
HS Student Council	1,284	135	607	812
Instructional Volleyball	4,337	2,220	1,480	5,077
Jr Hi Cheerleaders	829	90	728	191
Jr. Beta	713	945	615	1,043
Junior Class	5,336	5,951	4,135	7,152
Kendal Smith Scholarship	460	550	1,000	10
Kendall Smith Scholarship	10,222	100	-	10,322
Larry's Kids Foundation	32,673	47,979	422	80,230
Les Stephens Scholarship	-	800	800	-
Library Fines	1,254	2,808	3,610	452
Light the Nights	2,111	-	2,111	-
Math	974	2,412	426	2,960
Media	716	55	196	575
MS 6-7 Tech Class	123	413	240	296
MS art 5-7	942	1,345	2,274	13
MS Art 8th Grade	209	480	622	67
MS Art Club	362	240	99	503
MS Band 5-7	1,072	14,693	14,570	1,195
MS Bookefest 2011-2012	135	1,115	1,040	210
MS Chorus	499	14,791	10,662	4,628
MS Cooking Club	43	-	-	43
MS Drama Club	60	-	-	60
MS eaf	2,195	530	110	2,615
MS Faculty Fund	401	276	516	161
MS general	21,963	8,808	15,064	15,707
MS Music 5-7	91	1,139	1,114	116
MS Music 8th Grade	865	-	-	865
MS N.K.O.A.	231	200	177	254
MS Physical Education 5-7	50	1,793	1,115	728
MS Physical Education 8th	811	600	-	1,411
MS Rewards Account	2,277	6,957	8,720	514
MS Science 5-7	1,285	2,909	1,274	2,920
MS Service Learning	386	1,190	401	1,175
MS Stem	-	204	153	51
MS Technology 5-8	11,212	5,145	2,900	13,457

(See Auditors' Report and Accompanying Notes to the Financial Statements)

WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WALTON-VERONA HIGH SCHOOL AND MIDDLE SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	FUND BALANCE JULY 1, 2011	RECEIPTS	DISBURSEMENTS	FUND BALANCE June 30, 2012
MS Workbook	\$ -	\$ 3,490	\$ 3,410	\$ 80
MS Y-Club 5-7	1,147	4,959	4,487	1,619
MS Y-club 7-8	-	-	-	-
MS Yearbook	5,049	4,540	4,802	4,787
N.K.O.A.	191	200	161	230
Parking Permit	3,261	1,075	488	3,848
Physical Education	1,239	2,029	1,614	1,654
Poster Marker MS/HS	286	1,556	1,681	161
Project Prom	2,627	4,397	6,886	138
Quest Program	1,241	2,850	2,000	2,091
Reading	2,975	741	3,171	545
Rhoda Humphrey Memorial	900	-	-	900
School Climate Fund	6,834	2,147	3,422	5,559
Science Fund	2,078	1,174	2,256	996
Senior Class 2011/2012	553	11,820	12,033	340
Social Studies	826	-	108	718
Softball	153	3,400	3,509	44
Spanish	98	-	-	98
Spanish Club	113	230	214	129
Special Education	4	10	-	14
Spirit Club	151	-	-	151
Technology	11,980	5,648	3,817	13,811
Technology Club	656	-	-	656
Tennis	26	3,118	3,144	-
Textbooks	14,571	13,940	26,507	2,004
Theatre	183	5,940	5,944	179
Tournament Account	2,973	-	2,973	-
Track	4,034	18,475	17,014	5,495
Varsity Cheer	2,476	7,948	9,912	512
Volleyball	1,418	5,514	6,696	236
W. Hayes Scholarship	2,340	-	500	1,840
Wake up Walton	1,656	3,820	3,511	1,965
Wellness Center	1,749	10	-	1,759
Workbooks	8,823	7,010	3,922	11,911
Wrestling	2,662	6,351	8,473	540
WV Appreciation Fund	1,597	-	-	1,597
WVAB	1,101	-	1,101	-
Y Club	551	4,094	4,249	396
Yearbook	5,600	14,185	1,006	18,779
Total	<u>\$ 366,461</u>	<u>\$ 735,674</u>	<u>\$ 676,937</u>	<u>\$ 425,198</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON - VERONA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	WALTON- VERONA ELEMENTARY SCHOOL	TOTAL
Fund balance at July 1, 2011	\$ 33,799	\$ 33,799
Add: receipts	83,591	83,591
Less: disbursements	<u>(81,617)</u>	<u>(81,617)</u>
Fund balance at June 30, 2012	<u><u>\$ 35,773</u></u>	<u><u>\$ 35,773</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM / CLUSTER TOTALS
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through the Kentucky Department of Education:</i>				
Improving Teacher Quality State Grant	84.367	3230002 11	\$ 49,657	\$ 49,657
Education Jobs Fund	84.410	EJOB00 10	306,142	306,142
Career and Technical Education - Basic Grants to States	84.048	4621032 09	300	300
Title I - Grants to Local Educational Agencies	84.010	3100002 11	116,648	116,648
Special Education Cluster:				
Special Education Grants to States	84.027	3810002 11	287,175	
Special Education Preschool Grants	84.173	3800002 11	24,075	
Special Education Grants to States - Recovery Act	84.391	4810002 09	4,441	
Special Education - Preschool Grants - Recovery Act	84.392	4800002 09	26,594	342,285
Total U.S. Department of Education			815,032	815,032
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through the Kentucky Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 12	192,667	
National School Lunch Program	10.555	7750002 11	47,263	
School Breakfast Program	10.553	7760005 12	45,520	
School Breakfast Program	10.553	7760005 11	10,150	
<i>Passed through the Kentucky Department of Agriculture</i>				
National School Lunch Program - Food Donation	10.555	081-0100	47,247	342,847
Total U.S. Department of Agriculture			342,847	342,847
Total Expenditures of Federal Awards			\$ 1,157,879	\$ 1,157,879

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Walton-Verona INDEPENDENT SCHOOL DISTRICT and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Walton-Verona Independent School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Walton-Verona Independent School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Walton-Verona Independent School District expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings reportable under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs include School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Special Education Grants to States, Recovery Act, CFDA #84.391; Special Education - Preschool Grants - Recovery Act, CFDA #84.392; Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173; and Education Jobs Fund, CFDA #84.410.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Walton-Verona Independent School District qualifies as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

None

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2012**

BOARD MEMBERS

William Wethington
Term Expires - December 31, 2012

Tina Crase
Term Expires - December 31, 2014

Rene' Rice
Term Expires - December 31, 2014

Kevin Flynn
Term Expires - December 31, 2012

Bill Freeman
Term Expires - December 31, 2014

ADMINISTRATIVE PERSONNEL

Dr. Robert Storer
Superintendent

Mr. Bill Boyle
Former Superintendent

Ms. Pam Saylor
Deputy Superintendent

Mr. Kevin Ryan
Director of Finance

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton-Verona Independent School District as of and for the year ended June 30, 2012, which collectively comprise the Walton-Verona Independent School District's basic financial statements and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report.

Internal Control Over Financial Reporting

Management of Walton-Verona Independent School District is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the Walton-Verona Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Walton-Verona Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Walton-Verona Independent School District's internal control over financial reporting.


A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Walton-Verona Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bertke Sparks & Kremer, Inc.", followed by a small mark that looks like "MS".

Bertke, Sparks & Kremer, Inc.
September 7, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

Compliance

We have audited Walton-Verona Independent School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Walton-Verona Independent School District's major federal programs for the year ended June 30, 2012. Walton-Verona Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Walton-Verona Independent School District's management. Our responsibility is to express an opinion on Walton-Verona Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Walton-Verona Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Walton-Verona Independent School District's compliance with those requirements.

In our opinion, Walton-Verona Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

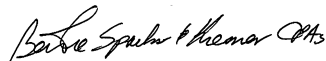
Internal Control Over Compliance

Management of Walton-Verona Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Walton-Verona Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walton-Verona Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



Bertke, Sparks & Kremer, Inc.
September 7, 2012

**WALTON-VERONA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

In planning and performing our audit of the financial statements of Walton-Verona Independent School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated September 7, 2012, on the financial statements of the Walton-Verona Independent School District.

CURRENT YEAR RECOMMENDATIONS

Central Office

Any exceptions noted during testing appeared to be isolated incidents only.

ACTIVITY FUNDS

Walton – Verona High School and Middle School

Any exceptions noted during testing appeared to be isolated incidents only.

Walton – Verona Elementary School

Any exceptions noted during testing appeared to be isolated incidents only.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Central Office

None

ACTIVITY FUNDS

Walton – Verona High School and Middle School

None

Walton – Verona Elementary School

None